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THE ROLE OF LEAN THINKING PRACTICES IN ENHANCING THE QUALITY OF FINANCIAL REPORTS-AN ANALYTICAL STUDY OF THE VIEWS OF A SAMPLE OF EMPLOYEES AT BANK OF BAGHDAD

Hadher Sabah Shair
College of Administration and Economics, Tikrit University, Iraq

Abstract
This research focuses on demonstrating the role of lean thinking in enhancing the quality of financial reports. The aim of answering them is to elucidate the intellectual implications and theoretical philosophy of these variables (lean thinking, the quality of financial reports), in addition to clarifying the analytical and practical foundations. This research is presented in two main sections. The first section includes the methodological framework of the research and the philosophical aspect of the main research variables. As for the second section, it deals with the practical side of the research hypotheses, conclusions and recommendations. The research sample represents a group of workers at the Bank of Baghdad. The correlation and influence relationships between lean thinking and the quality of the financial reports, which represent the research variables, are examined. In addition, the descriptive and analytical approach is adopted as a research method, and a sample size of (76) individuals is chosen. Also, a (questionnaire) is relied on as a main tool for data collection and measurement. The (SPSS - v. 25) program is used for statistical treatment and to prove the validity of research hypotheses related to the correlation and influence between (lean thinking, quality of financial reports), and the use of correlation coefficient and multiple regression coefficient as statistical methods. The most important conclusions reached by the research are: Lean thinking is an approach that can be applied in all administrative disciplines, including financial management. Lean thinking brings many advantages to banking institutions, including removing complexity and routine in financial transactions. The most important recommendations are: The need to pay adequate attention by officials at the Bank of Baghdad to adopt the philosophy of lean thinking in its operations and use it in an integrated manner in order to enhance the quality of financial reports.

Keywords: lean thinking, quality of financial reporting.

Introduction

Financial reports and statements, whether annual or monthly, are the basis for making crucial decisions for all banks, and the aim of them is to provide accurate and useful information about banks to their various users for the purpose of helping them make their various decisions related to those banks. In light of this, these financial reports should meet all the needs of these users concerning multiple information whether from inside or outside banks. Thus, the quality of these reports should be preserved and work to be constantly strengthened. This can be achieved by focusing on the philosophy of lean thinking by limiting all steps and processes that do not add any value. For this, lean thinking is a modern methodology that helps provides innovative ways to think about the work of activities, as it directs banks to focus on activities that may add value, and work to reduce or remove all complications and unnecessary activities.

In light of these data, the philosophical and intellectual framework of this research deals with vital and important issues (lean thinking, the quality of financial reports) that have a great and distinct role in the sustainability of the work of banking institutions in Iraq in particular in light of the obstacles facing the work of these institutions. Since the Iraqi environment needs such researches, this research focuses on testing these variables (lean thinking, quality of financial reports) in the banking sector, which is regarded as one of the most important and vital sectors.

The First Section: Research Methodological Framework

First: Research Problem

The quality of financial reports entails the consolidation, preparation and presentation of financial and non-financial information by the organization for effective planning and reliable decision-making. However, financial reports serve to provide information that may be useful enough to evaluate the effectiveness of management in using the resources under its control to meet the needs of its users. Financial reports are used by investors and creditors in deciding where to invest their limited resources whether in specific banks or not. Financial reports are a formal and comprehensive statement describing the financial activities of a business organization such as financial institutions. It is a statement that shows all relevant financial information presented in a systematic manner and in a form that is easy to understand for administrative use to make quick and informed investment decisions. The quality of these reports can be enhanced by adopting contemporary topics, including lean thinking as an important philosophy that focuses on removing unnecessary activities and steps.

Iraqi banks in general and the Bank of Baghdad in particular suffer from routine in dealing and complications in financial statements, in addition to the presence of many unnecessary activities. This affects making sound decisions that focus heavily on these reports and statements. Therefore, banks seek to reduce these complications and activities in various ways such as focusing on the lean philosophy of thinking that deals with reducing routine practices and activities, as well as all unnecessary steps in all bank operations.

Thus, we try through the current research, to address this problem by relying on the philosophy of lean thinking that focuses on reducing problems and obstacles and removing careless activities in a way that reflects the quality of those reports. Therefore, the main problem of this research focuses on clarifying the role of lean thinking in enhancing the quality of financial statements by a group of employees at the Bank of Baghdad. Reviewing and addressing the following questions can help clarify the implications of the problem:

1. Is there a positive moral correlation between the lean thinking philosophy and the quality of financial statements in a bank under consideration?
2. Is there a significant impact of the lean thinking philosophy on enhancing the quality of financial statements in a bank under consideration?

Second: Value of the Study

The importance of the research lies in the importance of its variables and topics represented by (lean thinking, the quality of financial statements), the field under discussion which is Bank of

Baghdad, and by presenting the theoretical and analytical frameworks for the research variables. The importance of the research is reflected through:

1. Academic level: The importance of studying at the academic level is embodied in:
A- Working to provide a practical framework to show the features of a contemporary model in decision-making for senior management in the field under consideration, which may be a valuable and pioneering attempt for decision-makers in the bank with the aim of making decisions that are compatible with the challenges they face in the Iraqi environment in terms of adaptation and speed.
B- Focusing on clarifying the concepts of the lean thinking philosophy and the quality of financial statements through the references that deal with this philosophy, for the purpose of working to form a solid and reliable base that can be used by researchers and the bank alike.
C- This research comes in response to the importance of the topic of lean thinking philosophy in foreign and Arab countries in the fields of banking.

2. Field level: The importance of the study at the field level is embodied in:
A- Diagnosing the dimensions of both lean thinking and the quality of financial statements in the field under discussion (Bank of Baghdad) and implementing them efficiently in order to enhance the quality of financial reports.
B- Shedding light on the relationship and the impact of the lean thinking philosophy in enhancing the quality of financial reports in the bank under discussion.
C- Providing the correct scientific foundations that enable the bank under study to identify the dimensions of lean thinking and their impact on enhancing the quality of financial reports.

Third: Research objectives
The main objective of this research lies in introducing to the Bank of Baghdad the role that the lean thinking philosophy plays in enhancing the quality of financial reports. The sub-objectives can be stated through:

1. Working to clarify the nature of the relationship (correlation and impact) of the lean thinking philosophy in enhancing the quality of financial reports in the bank under discussion (The Bank of Baghdad).
2. Enhancing the perceptions of the Bank of Baghdad towards the general content of the hypotheses that emerged from it, and presenting this relationship through a hypothetical scheme for the purpose of field application and access to research results.
3. Helping the bank under discussion (Bank of Baghdad) to apply the practical framework for the research variables (lean thinking, the quality of financial reports), to know the level of its orientation in applying these tools, and then analyzing the field reality to reach the results related to the development of the same orientation.
4. Knowing the extent to which a bank in question has adopted the philosophy of lean thinking, as a modern management approach that seeks to improve the quality of financial reports.
5. Testing the possibility of working according to the hypothetical model for research in terms of the fields of research variables (lean thinking, quality of financial reports).

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Fourth: A Hypothetical Research Model

To reach a systematic treatment of the research problem in its theoretical and analytical framework, a requirement is needed to building a hypothetical model for the research, through which the logical relationship of the research variables represented by (lean thinking, the quality of financial reports) is demonstrated. The aim is to express the proposed solutions to answer the questions raised in the study problem, as well as clarifying the sub-dimensions of those variables and their impact on the Bank of Baghdad which is the research sample. The possibility of measuring these variables (lean thinking, the quality of financial reports) should be taken into account as the philosophy of lean thinking is an independent variable, and the quality of financial reports is a dependent variable. Thus, the hypothetical scheme for the research can be presented by Figure (1).

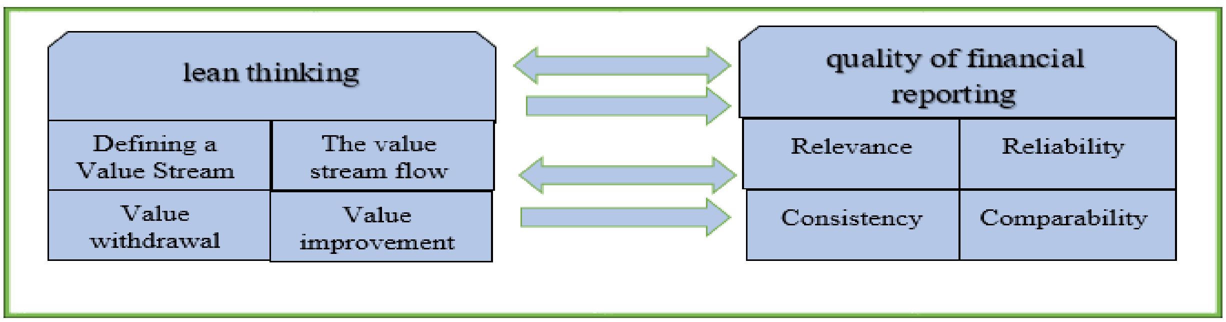

Figure (1): A hypothetical research model

Source: Prepared by the researcher

Fifth: The Main Hypotheses of the Research

The main hypotheses of the research can be determined within the framework of the hypothetical model of the research, where the main research hypotheses are determined by relying on the questions raised in the study problem. These hypotheses can be clarified as follows:

1. **The first main hypothesis:** There is a significant correlation between lean thinking and the quality of financial reports in the bank under consideration.
2. **The second main hypothesis:** There is a significant effect of lean thinking in enhancing the quality of financial reports in the bank under consideration.

Sixth: Research Methodology and Tool

1. **Research methodology**: The researcher relies on the analytical descriptive approach that focuses on framing theoretical concepts, analyzing the answers of individuals, analyzing the research hypotheses, and showing the relationships between them without being satisfied with their outward description or knowledge. In our research, the role of lean thinking in enhancing the quality of financial reports is studied.
2. **The Research Tool (Questionnaire):** The research tool represents the means by which information and data can be collected. To obtain the primary data, the questionnaire form is used in order to collect data concerning research variables (lean thinking, quality of financial reports) and as a prelude to its statistical analysis for testing the research hypotheses. As for

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the secondary data regarding the theoretical section of the research, reliance has been made on what has been contributed by books, Arab and foreign references and sober international magazines.

Seventh: Research Administration Test

1. **Measuring the apparent honesty**: This is conducted by presenting the questionnaire to a group of (10) arbitrators, whose opinions are positive regarding the validity of most of the items for measurement, as well as fixing some important and necessary observations regarding the need to amend some items by reformulation. This helps in evaluating the validity of these items by making appropriate corrections.
2. **The Reliability Test of the questionnaire:** To obtain an effective and efficient questionnaire, this tool is subjected to a reliability test, which is intended to ensure obtaining almost the same results if the questionnaire is re-applied more than once, under similar conditions. This refers to the extent of consistency in the respondent's answer, if the same questionnaire is applied several times under the same conditions. The researcher tested the reliability of the questionnaire by using the (Alpha Cronbach's) test to calculate the coefficient (Alpha Cronbach) at the level of the total sample of the research, which amounted to (0.81). On the level of the research variables i.e., lean thinking, it reached (0.79), and the quality of the financial statements reached (0.80). It is found that the value of the coefficient (Alpha Cronbach) is high and positive.

Eighth: Scope of the Study

1. Objective Limits: Represented by (lean thinking, the quality of financial reports).

2. Human Limits: The human limits of the research are included through a sample of workers at the Bank of Baghdad in Iraq under discussion. These include (accountants, auditors, department managers) which are the target group of the study.

3. Spatial Limits: It includes the spatial limits of the research, in which the Bank of Baghdad is the basic field of application in Iraq.

4. Temporal Limits: The time limits of the research include the prescribed period for preparing the research from (1/5/2020) until (12/15/2020).

The Second Section: The Intellectual Framework of the Research

First: Lean Thinking

1. The Concept of Lean Thinking:

Lean thinking is a methodology and method of work that needs continuous work in the long run. The term "lean transformation" is often used to describe any institution that moves from the old method of thinking to lean thinking. This shift requires a long-term perspective and perseverance that leads to a comprehensive revolution on how the company does its business (Al-Janabi, 2018: 5). (Thangarajoo & Smith, 2015: 31) point out that lean thinking is a distinctive management style that can be relied upon in all organizations. It works to prepare the mentality of working individuals to accept developments at work and reduce resistance to change. Therefore, financial institutions are heading towards adopting the philosophy of lean thinking. By changing its

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working methods, and applying new methods and styles of work based on a lean business philosophy.

Lean thinking empowers management and employees with a practical toolkit to reduce challenges and complexities in daily operations. There is a widespread misconception that lean thinking applies only to manufacturing processes and within large diversified companies. This is simply not the case because lean thinking can be applied in the field of management and accounting, financial management and in the field of marketing. As lean thinking is included in all aspects of business administration and other sciences, it is also related to all business disciplines. The size of the process and the participation in creating more value with fewer resources in a work environment calls for everyone's participation and the focus on beneficiaries (Trebble & Hydes, 2011: 309).

Lean thinking is a methodology that focuses on eliminating waste mainly through continuous improvement and respect for people. It is a positive way of thinking about how to do business with the least resources and energy and working to achieve the highest level of profitability. Toyota experts emphasize that the essence of lean thinking is "building people, then building products" and "spreading the culture of challenging the status quo" by means of continuous improvement (Modi & Thakkar, 2014: 201). (Cornejo et. al.,2020: 1) show that the critical point of lean thinking is value, as value can only be defined by the end user and is meaningful only when expressed in terms of a specific value that meets the needs of the user at a specific time. In the same context, (Sapountzis & Kagioglou, 2007: 8) state that lean thinking is a work methodology that tries to change the ideas of workers in organizations towards accepting change and being open to new developments at work and organizing work in a smooth manner. Thus, it directs the organization to focus on activities that add value and to work on its continuity with the exclusion of non-value-adding activities.

The basic idea of lean thinking is "the constant struggle to maximize value while minimizing waste". It simply means the continuous pursuit of creating more value with fewer resources, and thus requires continuous understanding and working towards user value, and constantly focusing on all major organization operations (Basit Aziz, 2015: 25). Lean thinking provides an ideal value to the customer through the ideal value creation process that has "zero waste". To achieve this, a set of lean tools are applied and to think about issues that give sustainability in improvement. The journey of lean needs continuous training and education, in that 70% of the companies that implemented it achieved significant success (Staats et. al., 2011: 377).

To be consistent with the above, lean thinking can be defined as an administrative philosophy and a different way of thinking in business administration and many similar sciences, focusing on removing all complexities and challenges in operations and focusing on activities that add value.

2. Value of Lean Thinking:

Lean thinking is of great value in changing the culture of the organization, and spreading methods that simplify the work of organizations, make them more flexible, help improve the organization's productivity and production quality, reduce lead times and improve competitiveness, achieve a completely waste-free process, and focus on maximizing the value of beneficiaries. Lean thinking can transform businesses by simplifying and continuously improving all processes and relationships in an environment through employee engagement (Modi & Thakkar, 2014: 203). It works to limit activities that do not add value to the process and to the final product. It limits those which have a burden on operations concerning effective activities that add value to the process and works in order to reduce activities that do not add value to make the process more flexible and lean and to reduce costs and business, and then make the process free from complications and routine (Trebble & Hydes, 2011: 309). It is very likely that lean thinking is the most intuitive approach to achieving the basic goals of improving the process in organizations through simplicity, smooth flow, clear vision, partnership between all parties, and the real value as perceived by the beneficiary. Its good application leads to more sales and margin profits without increasing the costs of the organization (Cornejo et. al., 2020: 2).

Lean thinking provides a way to shift management focus from more complex tasks to simple tasks to maximize the flows of value, and the horizontal flows of services and products that interact with multiple technologies and assets. Identifying, prioritizing and eliminating waste along entire value streams creates processes that need less human effort, less space, less capital, and less time to deliver products and provide services with lower costs and fewer drawbacks (Thangarajoo & Smith, 2015: 32). Dissemination of the lean thinking methodology increases the organization's ability to respond to changing beneficiaries' requests despite the high diversity in their requests, providing high quality services, low cost, and improving work productivity. In addition, information management becomes much simpler and more accurate (Al-Janabi,2018: 6).

Lean thinking focuses on creating more knowledge and educating workers better than competitors, making use of that knowledge and not wasting the fruits of effort by forgetting what has been learned, as not all new knowledge or information is of value. Ideal thinking here is to create new economically useful information as this is the challenge because it is a discovery process, some of which can be useful and the other of no value. Based on a simple view of information theory, to increase the value of the information generated and reduce the cost of knowledge creation, information management becomes much simpler and more accurate (Basit Aziz, 2015: 25).

3. Aims of Lean Thinking:

The aim of Lean Thinking is to create a lean organization, which maintains growth by aligning the beneficiary's satisfaction with employee satisfaction, and delivers profitable innovative products or services while minimizing unnecessary extra costs. The basic vision of lean thinking is that if you train everyone to identify wasted time and effort in their own business and to work better together to improve operations by removing complexities, the organization provides more value at lower cost with the development of each employee in competence and ability to work with others (Staats et. al, 2011: 378).

The ultimate aim of lean thinking is to reduce waste in operations while at the same time maximizing value for beneficiaries, and achieving business transformation. Employees have learned that by using lean techniques they can standardize processes, eliminate wasted time, effort and supplies, and simplify processes that allow them to provide products and services to their customers as they prefer, in less time, with less effort and with improved value flows (Basit

Aziz, 2015: 29). Lean thinking is a business methodology that aims to provide a new way of thinking about how human activities are organized to provide more benefits to society and value to individuals. Simply lean means creating more value for beneficiaries with fewer resources, and the ultimate goal is to provide optimal value to the beneficiaries through the process of creating the ideal value which has zero waste (Al-Janabi, 2018: 7). The main aims of lean thinking are: (Cornejo et al, 2020: 3).

- ❖ Maintaining production levels with half of the employees.
- ❖ Improving quality.
- ❖ Regulating human activities.
- ❖ Information management is much simpler and more accurate.
- ❖ Increasing the organization's ability to respond to changing beneficiaries' requests.
- ❖ Maximizing the value of beneficiaries
- ❖ Creating more knowledge and educating employees better than competitors.
- ❖ More flexible and more ability to offer products.
- ❖ Creating an ideal value that has zero waste.
- ❖ Eliminating all kinds of waste.
- ❖ Spreading a culture of continuous improvement.
- ❖ Reducing cycle times from 50% to 90%.

4. Principles of Lean Thinking

James Womack and Daniel Jones laid down the principles of (Lean Thought), which are the basis for the work of organizations in moving towards the application of (Lean Thinking) in an efficient manner. It aims to continuously strive towards reducing waste of all kinds in order to develop the process, and produce services of appropriate quality (Rother et. al.,1999: 37). These lean principles can be used to define the goal of any lean system which is "to define a clear value in order to align all activities for a specific product along the value stream and to make the flow of value smoothly through drawing in the beneficiary and striving for perfection." The following is a review of the principles of lean thinking: (Cornejo et al, 2020: 10)

A. Defining a Value Stream: organizations work on applying lean thinking by determining accurately and efficiently the value from the beneficiaries' point of view and identifying the target cost based on the perception of the beneficiary (Thangarajoo & Smith, 2015: 34). Value is something that a recipient specifically wants and is willing to pay for, yet we spend most of our time doing something other than adding value. Studies show that we tend to add value to a product or service for just 5% of our time, while the rest of the time we spend on endeavors, waste, waiting, reformulation, transfer, movement and a host of things that lead to extravagance and are not considered to the beneficiaries as things that should be paid for (Mary, 2012: 3). This is the waste in lean thinking and a lot of what we do in the implementation of lean operations is to search for this waste to eliminate it, but this often happens in the wrong way. We need to look for steps of adding value and making it effective and sufficient as much as possible rather than looking for waste. We tend to start working on improving processes that are themselves wasteful and unwanted by the beneficiaries (Modi & Thakkar, 2014: 205). Now that we understand that value is what the recipient is actually paying, we should be able to figure out what works best for drawing value-oriented conclusions. Once team members understand what the 'value system' is

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and what the beneficiary is actually paying for, it will be easier for you to make them learn how to stop wasting time and energy that could have been used in an effective way. This is the magic of lean thinking in eliminating everything that is a waste and not of any value to the beneficiary's project (Rother et. al., 1999: 39).

B. The value stream flow: the principle of value flow represents one of the basic and important principles of lean thinking since flow with ease achieves the aims of the system easily. The value stream flow means making value proceed according to the beneficiary's demand, i.e. making value proceed smoothly without interruption or stoppage in order to provide the beneficiary with service at the required rate (Rother et. al., 1999: 41). (Staats et. al., 2011: 379) discuss that the value stream flow means the continuity of operations without bottlenecks and breakdowns and without waiting, because the continuation of the flow leads to a high reduction in the process cycle. (Trebble & Hydes, 2011: 311) note that the ideal flow would be a "one-piece flow", but this is often not possible because it needs many devices, but what we are trying to achieve is a "flow" of products or value from one step to the next. In each step, the value is added where possible, and this is done in parallel with the added value. This flow is achieved through a whole set of ideas and tools. The main streams of flow are divided over and over again into process flow, material flow, and information flow. At the end, a rich opportunity in working can be found so as to simplify the flow of information, but with continuous process flow and material flow the ideas are drawn (Womack et. al., 2003: 72).

C. Value withdrawal: the idea of the withdrawal system is based on the fact that the process does not start until after the actual request of the beneficiary, by sending a signal to the previous work department of the size and quantity of materials required to fulfill the requests of the beneficiaries. The same signal is sent to each previous work department, so that the materials flow easily and no stock is kept at any department (Womack et. al., 2003:73). Withdrawing a value according to the beneficiary's request takes place through stopping the payment of information to the beneficiary, and making the process take place at the request of the beneficiary and thus the level of the process is reduced above the required level. The withdrawal system works in the last stage of the work by moving resources and sufficient parts to meet the requests of the beneficiaries along the process line (Mary Poppendieck,2012: 3).(Sapountzis & Kagioglou,2007: 9) mention that one of the biggest challenges in any system is the inventory production or information. The inventory or information hides all other problems in the system, needs space, and requires stacking, storing and transporting and takes a lot of the organization's capital. It is possible to reduce the inventory through the withdrawal system, as withdrawing information instead of pushing information using kanban systems and depending on the orders of the beneficiaries can be satisfying when it is processed quickly (Womack et al, 2003: 75).

D. Value improvement: Through these principles, the organization begins with determining the value from the beneficiary's point of view, leading to the pursuit of perfection. The aim of lean thinking is to focus on the beneficiary and provide a service that meets his/her needs. This can be achieved through the organization's ability to make the thinking of individuals within the organization and their behaviors compatible with the requirements of lean thought (Basit Aziz, 2015: 31). The achievement of the first principles is not sufficient to achieve the value required

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by the beneficiary, rather it should strive towards achieving continuous improvement, and with the help and support of all employees you need to strive towards perfection, and to provide exactly what the beneficiary wants with zero waste. You need to involve every employee within the organization in the implementation of lean tools like kaizen to drive continuous improvement in every aspect of the organization. Lean is not only about improving the process but also about improving every other process from system processing to billing and beneficiary service (Sapountzis & Kagioglou, 2007: 11). Lean thinking is the application of these principles to an organization, whether it is a manufacturing or service organization. In fact, this is what Womack and Jones emphasize in their follow-up on a book from "The Machine that Saved the World" and "Lean Thinking" in any business you have a beneficiary who has needs. Through these principles, you can provide value through a series of interconnected processes that form a stream of value (Womack et al, 2003: 76). This is confirmed by (Al-Janabi, 2018) in his book (The Lean Approach) that every stage within the process you are a beneficiary of the previous stage.

Second: Quality of financial reports

1. The concept of quality of financial reports:

The concepts dealing with quality in the framework of financial reports vary from the point of view of professional organizations, researchers, and specialists. The Financial Analysts Federation (FAF) defines it as clarity and availability of information at the appropriate timing. The American institute of Certified Public Accountants (AICPA) states that quality means the ability to use information in the field of forecasting, and the suitability of information for the purpose of obtaining it (Biddle & Verdi, 2009: 213).

Financial reports are the final product and the main work of the bank's accounting system. They are created as a result of a set of accounting treatments of data related to activities and events carried out by the bank with the aim of presenting them in a summary form to all parties that can benefit from them in making appropriate decisions. The financial reports indicate that they are of quality by being relevant, comparable and reliable. These reports and data are free from material misstatements, and give a true, accurate, and fair picture of the financial position of the bank, thus increasing predictive ability to assess the current as well as the future situation of the bank (ACHIM, 2014: 94). (Belkaoui, 2014: 186) shows that financial reports are the information used in the accounting system, whether they are special reports or general reports, which are issued at the end of each financial period, include financial and non-financial information, and represent a means of communicating information and data to all beneficiaries and users.

As for the quality of the financial reports, it indicates that these reports are reliable, appropriate, comparable and stable, free from material misstatements, and give an accurate, truthful and fair picture of the bank's financial position, and thus its high predictive ability to assess the current and future situation of the bank (Nashwan, 2017: 571). Financial reports are defined as a tool for revealing and showing information and facts, and appointing people, management and beneficiaries in the appropriate decision-making process. The financial report represents the artery that provides the organization's departments, whether private or public, with appropriate financial information and data. The reports are divided into two types:

- **General reports**: are in accordance with generally accepted financial standards.
- **Special reports**: prepared in response to a specific request.

(Shaat, 2017: 41) has referred to the quality of financial reports as expressing a true and realistic picture of the reality of banks, as they are regarded statements free from fraud, errors, investigation and forgery. They are prepared without exaggeration and with accurate realism for the items of the accounts of these lists in accordance with the controls and standards of the presentation of the financial statements. The quality of financial reports are the green light, and the starting point for decision-makers because of their impact on determining the results of the actions or decisions taken. (Renkas et. al., 2015: 1) explain that financial reports should meet many regulations and standards in order to be considered of high quality due to the fact that the quality of information and data determine the feasibility of future strategic decisions. Whereas (El-Bannany,2018: 116) indicate that the quality of financial reports is the extent to which the financial measures or indicators are, or represent reliable measures of the bank's performance and express the reality of its performance, economic reality and business results.

The quality of financial reports can be defined as those **"reports that are characterized by a high degree of reliability, appropriateness and honesty, and of great benefit to the beneficiaries and officials, with the ability to use them correctly and in a timely manner."**

2. The importance of the quality of financial reports:

The importance of the quality of financial reports lies within two perspectives. First: determining the quality of financial reports on the basis of the usefulness of the financial information for its users. Secondly, the quality of financial reports focuses on the concept of protecting shareholders and investors, therefore, the preparation of financial reports is the process of communicating information and data to the entities and parties benefiting from them, for the purpose of presenting financial data and other related data to show the extent to which the aims of the investors are achieved. The financial reports prepared by bank managers clarify the extent of their experience and ability to manage the resources entrusted to them by business owners (shareholders) (Bamidele, 2018: 23).

Many accountants and financial researchers emphasize the benefits and value of the quality of financial statements, and indicate that insufficient financial reports may negatively affect business performance and economic decisions. This means that the quality of financial reports may determine the managers 'desire to engage in activities that have no value. The quality of financial reports facilitates better contracts to avoid the efficiency of investment. Moreover, they can increase the ability of investors to control investment decisions, so it is expected that high-quality financial statements reduce wasted and excessive investment (Al-Dmour et. al., 2018: 2).

Financial reports are considered the basis for information which many beneficiaries and users depend on, the management of the organization is responsible for preparing them. The Financial Standards Board (FASB) has indicated that financial reports are the backbone of financial reports, and the financial reports contain the auditor's report and the board's report. Therefore, financial reports are regarded as a means or tool used to inform entities and all government parties of the information that is collected and prepared in the financial accounts in an organized manner (Al-Sharaa, 2017: 173).

The importance of the quality of financial reports lies through: (Nashwan, 2017: 577)

1. The ability to provide information that helps in forecasting the size of current and future cash flows, the exact timing of these flows, and the degree of uncertainty surrounding it.
2. The ability to provide suitable and appropriate information and data for rationalizing credit and investment decisions.
3. The ability to provide information and data necessary for evaluating the resources of the organization, and the changes that may occur to these commitments and resources.

Financial reports issued by the banks are considered the most important and vital product for the applied financial information systems. It is the container in which the information is collected to be presented in various ways to serve the decision-makers as well as the users of those reports. Therefore, they are not an end in themselves but rather a means for their users (Sreymoch & Yusheng, 2019: 1582). The importance of the quality of financial reports has emerged more broadly after the financial collapses of many major international companies such as Enron Energy and WorldCom during the last two decades due to manipulating financial reports. This had serious effects leading to investors losing their money and losing thousands of employees their job opportunities (Chen & Zhijun, 2016: 231).

3. Aims of the quality of financial reports:

The aim of achieving the quality of reports for the bank's operations is to provide the users of these reports with relevant, accurate, comparable and reliable information to allow an appropriate decision to be made. The annual report can never be completely free from some bias, as economic phenomena are often measured in the annual reports. Under conditions of uncertainty using assumptions and estimates, and although bias cannot be completely removed, a certain level of accuracy is required for the financial reporting information to be appropriate and useful for successful decision-making (IKPANTAN & DAFERIGHE, 2019: 492). (Beest et. al., 2009:3) indicate that the main objective of preparing financial reports is to provide high-quality financial reports and information related to economic entities of a primarily financial nature and useful in economic decision-making. This positively affects capital, stakeholders, other beneficiaries, making investment, credit, and resource allocation of similar decisions that enhance the overall efficiency of the market. The aims of the quality of financial reports (one of the means of delivery) are: (Agyei-Mensah, 2013: 271).

1. The extent of its safety and freeness of fundamental errors.
2. The validity of these lists.
3. Its suitability for decision-making.
4. The extent of its reliability.
5. The extent of disclosure of these financial statements (adequate disclosure), which may conflict with the cost and return and may be based on proportional importance.
6. The extent to which the items of these financial statements are presented properly.
7. The extent of its reliance on the application of generally accepted financial principles (the method of measurement) in order to facilitate the comparison process.

The aim of the quality of financial reports is to standardize the preparation and presentation of financial and non-financial information by the financial organization for effective planning, and making reliable decisions. However, the aim of financial reports is to provide appropriate information that is useful enough to evaluate the effectiveness and efficiency of management in

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the use of resources subject to its control in order to meet the needs of its users. Financial reports are used by investor creditors in deciding where to invest their limited resources in specific banks or not (Jara et al, 2011: 177). Financial reports are a comprehensive and official statement describing all the financial activities of a business organization such as financial institutions (banks), and it is a statement showing the relevant financial information presented in a structured manner in an easy-to-understand manner for administrative use to make quick and informed decisions related to investment (RENKAS et al, 2015: 2). Also, for decision-making related to investment planning, cost planning, performance evaluation and expected returns, the financial reports consist of a statement of comprehensive income, a statement of financial position, cash flow statements (reports on the cash flow activities of banks, especially their operating, financing and investment activities) and a statement of changes in property rights. In order for financial reports to be useful to the decision maker, they should possess all aspects of qualitative characteristics such as understand ability, consistency, comparability, reliability, suitability, objectivity, correctness and timeliness of users' needs (Bamidele, 2018: 24).

4. Characteristics of quality financial reports:

The most important elements can be identified by: (El-Bannany, 2018: 41)

First: **Relevance**: It means the ability of financial information to replace or change the decision of the user of this information and influence him/her. The concept of information relevance depends practically on the individuals making the decisions in a way that information is relevant to the aim it was put for. It is also related to presenting information in the correct and appropriate time before this information loses its influence in the decision. If the information is not available at the time of its need, or it becomes available for a long period of time when it is needed, it loses its value, then it is not relevant (Opanyi, 2016: 164). (Al-Dmour et al,2018: 6-7) state that relevance means presenting financial information in a timely and appropriate manner before it loses its influence in the decision, because if the information is not available at a time of need, or becomes available for many long periods then it loses its value and becomes inappropriate. Information becomes relevant when it is presented to users before it loses stability to influence the decision-making process. Many previous studies have emphasized the importance of relevance of information related to financial reports, taking into account their role in making differences in users' decisions, and enhancing their capabilities and innovations in decision-making.

Second: Reliability: It means that financial information is useful and important if the user can rely on it as a measure of the economic events and conditions that it represents, especially if there is a degree of objectivity for this information represented in impartiality, freedom from deviations and errors, and honesty in numbers (Opanyi, 2016: 167). The information stated in the financial statements of economic units is one of the most important sources on which investors rely in making their investment decisions. As a result, this information should have two main characteristics, namely credibility and reliability, through which the future of the economic unit can be extrapolated, which are among the most important characteristics that international standards have focused on in preparing the financial statements, as well as the most important feature which is the delivery of complete and appropriate information to the investors in a timely manner (Widyaningsih, 2016: 12).

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Third: Consistency: It includes applying the same methods adopted in measuring and communicating financial information from one period to another. If there is a need for change, it should be noted that this is taken into consideration by the user. Stability includes the application of the same methods used in measuring and delivering financial information from time to time, and if necessary, it should be noted that the user takes it into account. It means consistency in using the same methods adopted in measuring and communicating financial information from one period to another, and if necessary, it should be noted that this is being considered by the user (Manh & Ramond, 2011: 3). (Percy, 2002: 69) indicates that one of the characteristics of the quality of financial information is its consistency, which means the necessity of using the same financial methods in recording similar transactions, that is, the use of accounting methods constantly and by following the same accounting rules that are used in the processing of financial statements. Consistency applies to the characteristics of the quality of financial information due to its ability to provide an understanding of the financial statements as well as the ability to process them, and this in turn allows the possibility of comparing the financial statements in different years. It is possible to work on changing the means of processing the financial statements, but when they are acceptable and have clear justifications. Each institution has its own accounting information system and should be stable and not change every period without any justification, but this does not mean that it will not be developed. If there are methods that provide higher quality information, then the responsible body studies it and determines if it is suitable to replace the current system used in it.

Fourth: Comparability: In order to reach accounting information of interest, the economic unit must be steadfast in using a certain accounting method from one period to another because this increases the users' ability of financial information to explain the differences and changes and the ability to compare financial statements over time for the purpose of determining trends in financial position and performance, as well as comparing financial statements of different units. If there is comparison for the sake of accessing financial information of interest, the economic unit should be stable to use a certain accounting method from time to time because this increases the ability of users of financial information to explain the differences and changes and the possibility of comparing financial data over time for the purpose of identifying trends in the financial position and performance as well as comparison of the financial statements of the different units (Opanyi, 2016: 164). Comparability is the fourth basic qualitative feature. However, during the process of preparing the financial report the user may find similar cases presented in the same case and in some cases different situations presented differently. Therefore, comparability means the ability that the information possesses in explaining and identifying the similarities and differences between two groups or common transactions of economic phenomena (the International Accounting Standards Board). Comparison can be accessed by obtaining consistent information by the banks, and this can happen by requiring the bank to use the same financial policies and procedures, either from one period to another within the entity or in one period via the eligible party (Al-Dmour et al, 2018: 6-7).

Third: The Theoretical Relationship between Research Variables

Rapid development, technological advancement and openness has imposed on organizations more complexity and necessitated them to search for the best methods and methodologies to

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raise the quality of their internal operations. Also, to be in line with developments in the banking sector that are characterized by complexity, change and sharp competition in achieving efficiency in their activities, reaching to the reduction of costs that are considered as the preoccupation of all organizations, including banks. It is the competitive weapon that can placed in the face of competitors in the same sector, and through which it wins the competitive battle in the market that revolves around increasing the value of the beneficiary and the organization together (Trebble & Hydes, 2011:310). Experience shows that adopting lean thinking requires abandoning the deeply rooted public administration of routine thought and moving towards lean thinking that focuses on removing all complexities and routine work in transactions and reports within the organization and evaluating value for beneficiaries outside the organization (Staats et al, 2011:381).

In the banking business, decision-makers need understandable and accurate financial reports for the bank's work. These reports should be free from boring details, complexity, repetition and vague numbers. Thus, the ability to think in a lean manner can enhance and improve the quality of those reports by determining the value in these reports and then determining their steps. This means the path of the flow of value and then withdrawing the required value and working on continuous improvement.

The Third Section: The practical Part of the Research

First: Description of the field and sample of the research

1. Description of the field of research: The Bank of Baghdad was established after an amendment was made to Article (5) in the Law of the Central Bank of Iraq. The Bank of Baghdad practiced only commercial banking business until the 25th of September 1998, and then varied its type of service portfolio including banking services on a wide scale. It is the first bank that was given a license in Iraq, where it began banking operations in 1992, placing the needs of the national economy in its priorities, after the Central Bank of Iraq allowed all private banks to practice all banking activities. The year of 2005 is considered a transformation for The Bank of Baghdad where United Gulf Bank and Iraq Holding Company possessed shares amounting to (49%) of the bank’s capital. The Bank of Baghdad is now a bank affiliated with (Burgan Bank) a member of the Kuwait Projects Company Holding Group, which makes The Bank of Baghdad among seven banks operating in the Arab world, namely: The Bank of Baghdad in Iraq, The Bank of Gulf - Algeria in Algeria, The Tunis International Bank in Tunis, The United Gulf Bank in Bahrain, The Bank of Syria and the Gulf in Syria, The Jordan-Kuwait Bank in Jordan, and The Burgan Bank in Kuwait. The bank plays an important and effective role by rebuilding Iraq through taking advantage of the opportunities available to develop the oil and non-oil sectors and in building infrastructure and financing construction.

2. Description of the surveyed individuals: The sample of the respondents includes some workers in the Bank of Baghdad as the field of research. It also includes (department managers, auditors, accountants) as a target group, with (81) questionnaire forms distributed, from which (76) valid questionnaire forms are retrieved.

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Second: Description and diagnosis of research variables

1. Description and diagnosis of the principles of lean thinking: Table (1) clarifies the percentages, arithmetic means, standard deviations, coefficient of difference regarding the principles of lean thinking. The general agreement rate for the principles of lean thinking is (78.7%), and this indicates that the researched individuals in The Bank of Baghdad have emphasized the use of the principles of lean thinking by the bank. As for the researched individuals whose answers are in the negative direction, the rate is (6.5%), and the percentage of the researched individuals who do not have an opinion or whose answer is neutral is 14.8%. The primary analysis of the researched individuals' answers confirms that The Bank of Baghdad possesses the principles of lean thinking. All the tools come with an arithmetic mean of (3.98), coefficient of variation (0.217), and standard deviation (0.85). The importance of describing the principles of lean thinking can be arranged as follows:

A- The flow of the value stream comes first, as it comes with an agreement rate of (81.1%), and an arithmetic mean of (3.99).

B- The withdrawal of the value comes in second place, with an agreement of (79.5%), and an arithmetic mean of (3.97).

C- The improvement of the value comes in the third place with the degree of agreement (77.9%), and an arithmetic mean of (3.99).

D- Finally, the determination of the value comes with the degree of agreement (75.5%), and an arithmetic mean of (3.98).

Table (1): Summary of Lean Thinking Principles

Coefficient of variation	Standard deviation	Arithmetic mean	Don't agree, don't agree completely	Neutral	Agree completely, agree	Principles of lean thinking
0.22	0.86	3.98	5.5	18.9	75.5	Identifying value
0.22	0.88	3.99	7.5	11.4	81.1	Value stream flow
0.20	0.80	3.97	6.9	13.6	79.5	Value withdrawal
0.21	0.87	3.99	7	15.1	77.9	Improving value
0.217	0.85	3.98	6.5	14.8	78.7	General rate

Source: Prepared by the researcher depending on the statistical program outputs

2. Description and diagnosis of the quality of financial reports: Table (2) clarifies the percentages, arithmetic means, standard deviations, coefficient of variation concerning the quality of financial reports (78.4%). This means that the researched individuals in (The Bank of Baghdad) emphasize that the bank uses the dimensions of the quality of financial reports. As for researched individuals whose answers are in the negative direction, they represented (6.6%), and the percentage of researched individuals who do not have an opinion or whose answer is neutral (14.8%). All practices have an arithmetic mean of (3.93), a coefficient of variation (0.21), and a standard deviation (0.87). The importance can be arranged to describe the quality dimensions of financial reports represented by its dimensions and diagnose them in terms of the degree of agreement.

A- It comes after comparability in the first rank, with an agreement of (82.1%), and an arithmetic mean of (4.02).

B- The reliability comes second, with an agreement of (79%), and an arithmetic mean of (4.00).

C- After consistency, it ranks third, with an agreement of (78.6%) and an arithmetic mean of (3.93).

D- After relevance, it comes in last place, with the degree of agreement (76.7%), and an arithmetic mean of ability (3.72).

Table (2): Summary of financial reporting quality dimensions

Coefficient of variation	Standard deviation	Arithmetic mean	Don't agree, don't agree completely	Neutral	Agree completely, agree	Financial reporting quality practices
0.23	0.87	3.72	8.2	15.2	76.7	Relevance
0.21	0.84	4.00	6.6	14.5	79	Reliability
0.22	0.89	3.93	6.2	15.2	78.6	Consistency
0.19	0.81	4.02	5.7	.122	82.1	Comparability
0.21	0.87	3.93	6.6	14.8	78.4	General rate

Source: Prepared by the researcher depending on the statistical program outputs

Third: Testing the Hypotheses of the Study

1. Testing the first hypothesis: It states (**there is a significant correlation between lean thinking and the quality of financial reports at the macro level)**. Table (3) shows the results of the correlation test related to this hypothesis.

Table (3): the results of the correlation test at The Bank of Baghdad

Lean thinking principles	**explanatory variable** / **Responding variable**
*0.67	**Financial reports quality**

N=76 **0.05 ≤ P***

Table (3) indicates the existence of a significant and positive correlation between the principles of lean thinking and the quality of financial reports. The macro indicator value of the correlation coefficient reached (0.67*) at the significant level (0.05). This is an evidence of the presence of the relationship between the two variables (lean thinking, financial reports quality). This result indicates that the more the bank under discussion increases its interest in the principles of lean thinking collectively, this contributes to enhancing and improving the quality of financial reports by removing complications and reducing unnecessary activities in the financial reports and presenting them in an easy way to the beneficiaries. Based on what has been produced by the results of the statistical analysis of the correlation between the two research variables, the first main hypothesis at the bank's level is validated.

2. Testing the second hypothesis: it states (**there is an influence of the principles of lean thinking significantly in enhancing the quality of financial reports in terms of their dimensions at the macro level)**. Table (5) illustrates this effect as follows:

Table (4): The Collective Impact of the of Lean Thinking Principles on the Quality of Financial Reports at The Bank of Baghdad

F	lean thinking principles			explanatory variable / Responding level
	R^2	β1	β0	
90.05	0.46	0.695 (11.106)*	0.681	**Financial reports quality**

(*) refers to calculated T value
N=76 DF=1. 74 P ≤ 0.05*

Table (4) which is specialized for regression analysis shows that there is a positive significant effect for the principles of lean thinking collectively as they are regarded explanatory variables in the quality of financial reports and considered as a responding variable. The calculated value of (F) reached (90.05), which is greater than its tabular value at two degrees of freedom (1, 74), at a significant level (0.05), and the determination coefficient reached (R^2) (0.46). This means that (46%) of the explained differences in the quality of financial reports are due to the collective effect of the principles of lean thinking. From the follow-up of (β1) coefficient, it is shown that the increase in interest in the principles of lean thinking in one unit leads to a change of (0.695) in the quality of financial reports. The coefficient (β0) means that the Bank of Baghdad achieves the quality of financial reports regardless of the effectiveness of the principles of lean thinking. From the follow-up of the calculated (t-test) which amounts to (11.106*), we find that it is a moral value and greater than its tabular value at a level of significance (0.05) and at two degrees of freedom (1, 74). Thus, the second main hypothesis validated which states that: **(there is an influence of the principles of lean thinking significantly in enhancing the quality of financial reports in terms of their dimensions at the macro level)**.

Section Four: Conclusions and Recommendations

First: Conclusions

The research attempts from the outset to base its data on the theoretical framing and the practical side upon the pioneers' propositions in administrative thought, the field of financial management and philosophical concepts. These data are employed in a scientific context to be a working mechanism for the field being researched, and a starting point for subsequent studies. Therefore, the research shows a set of conclusions, which are as follows:

1. The study shows that the principles of lean thinking are ranked according to their importance from the viewpoint of the members of the research sample, namely (value stream flow, value withdrawal, value improvement, value determination).
2. The study shows that the dimensions of the quality of the financial reports are ranked according to their importance from the viewpoint of the members of the research sample, namely (comparability, reliability, consistency, and relevance).
3. The results of the practical side show that there is a positive moral correlation between the principles of lean thinking and the quality of financial reports at the macro level in the researched bank according to the value of the correlation coefficient at the macro level.
4. From the results of the practical side, we find that there is a moral impact of the principles of lean thinking on the quality of financial reports at the macro level. This means that the increased interest of the bank's management under discussion to the principles of lean thinking together contribute to enhancing the quality of financial reports.
5. Lean thinking is an approach that can be applied in all administrative disciplines, including financial management. Lean thinking brings many advantages to banking institutions, including removing complexity and routine in financial transactions.

Second: Recommendations

Based on the conclusions, the researcher puts forward a set of recommendations, which are as follows:

1. The necessity to focus on modern and contemporary methods used in financial management at the Bank of Baghdad for the purpose of reducing complexity and routine in financial transactions.
2. The need for management at The Bank of Baghdad to realize the importance of the principles of lean thinking in banking institutions, and their direct impact on the quality of financial reports, as the absence of this interest leads to the loss of valuable opportunities for banking institutions to achieve their aims of growth, expansion, survival and excellence.
3. The necessity of directing the bank's energies to uncover the steps and activities that do not add value to the operations within the bank, and work to reduce them significantly by simplifying the flow of value, and clarifying the steps of the financial process, which is the essence of the work of the principles of lean thinking.
4. The necessity of developing and adopting the principles of lean thinking in the bank under discussion in an in-depth and accurate manner, as they represent modern principles seeking to achieve outstanding performance, and the development that is reflected at all levels, including the protection of the bank's operations from routine practices.
5. The necessity of directing the attention of the heads in the bank to the interest in studying the methods that improve the quality of financial reports, constantly describing them as a working philosophy of the leaders and heads in the management of the bank, and the need to focus directly on the beneficiary.

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